

Letters of Support

Attachment A

Congress of the United States

Washington, DC 20510

February 22, 2012

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Dear Mr. Chairman:

We write to raise several significant Alaska-specific concerns regarding the Federal Communication Commission's (FCC) reform of the high-cost Universal Service Fund. We appreciate the time and serious considerations you gave in addressing the unique and challenging Alaska communications market through various mechanisms within the USF/ICC Transformation Order. However, as the FCC and carriers work through the market shifts that accompany such a high-impact change, we remain concerned on a number of points, some of which we note below. We believe addressing our additional concerns is important to maintaining, but also expanding the incomplete telecommunications network in Alaska. Further steps must be taken in short order to fulfill the critical mission and the statutory obligation of providing universal service to our constituents in some of the farthest reaches of our country, including rural Alaska.

As you know, the lack of roads, extreme distances, topographical and climatic challenges in rural Alaska result in extraordinarily high construction and operational costs. To bring the most advanced services possible to our rural areas, the companies providing those services assumed extremely high burdens of debt. The networks built meet Rural Utilities Services standards and requirements, but now these companies are faced with uncertainty about their ability to maintain a satisfactory level of debt coverage, and have little opportunity for obtaining the necessary financing to upgrade their networks.

The FCC's recent reform of the High-Cost Universal Service Fund and creation of the Connect America Fund acknowledged the unique challenges and extreme expense of serving rural Alaska, in part by creating an interim Remote Alaska mechanism. The Commission has said it is intended to "preserve newly initiated services and facilitate additional investment in still unserved and underserved areas during the national transition to the Mobility Funds." This goal represents how we believe all carriers in Alaska should be treated under Section 254(b) of the Telecommunications Act of 1996, which is intended to establish universal service at comparable rates. Specifically, we would like to directly address several core issues:

- **Middle Mile Infrastructure:** As we have mentioned in the past, the costs of maintaining and expanding middle-mile connections in Alaska are extremely high. To meet the FCC's goal of bringing broadband to all Americans, we request more be done to assist and create incentives for companies to build out and develop telecommunication networks capable of delivering broadband services to rural Alaskans at comparable and affordable prices. Specifically, we request the CAF be modified to include an Alaska-specific middle mile formula to offset Alaska's extremely and unavoidably high middle mile costs.
- **Underfunding Remote Alaska:** It appears the Remote Alaska mechanism designed to preserve support and facilitate investment will be underfunded by more than \$20 million, contrary to our expectations and the FCC's purpose in establishing this fund. Without adequate funding, we have little expectation for progress in deploying wireless and broadband service in rural Alaska. Petitions for reconsideration are before you that seek modest, yet critical, revisions to the FCC's implementation plan for Remote Alaska. We urge you to immediately adopt these recommendations and make the revisions necessary to restore anticipated funding levels and fulfill the dual goals of the FCC's Remote Alaska mechanism: preserving newly initiated services and facilitating additional investment in rural Alaska.
- **Two-Year Delay for Both CETCs and ILECs:** We appreciate the implementation delay the FCC gave to the reduction of identical support funding. However, we remain concerned about the competitive impact on our state's telecommunications market and request you expand the two-year delay to all Alaska carriers, including incumbent local exchange carriers (ILECs) and competitive eligible telecommunications companies (CETCs). Given Alaska's uniqueness in climate, topography, and geography, much of which the FCC has already recognized, the additional time for both CETCs and ILECs will help both wireless and wireline sides better adjust to the FCC's order.
- **Improved Waiver Process:** As the reform order was being developed, we spoke extensively on the importance of allowing waivers to the delivery standards in an expedited manner to carriers in rural high-cost areas. We remain concerned that the process laid out is still too burdensome and slow. Additionally, questions remain about whether the realities of the costs of middle-mile connections are included in the waiver process. You have before you suggestions from multiple carriers in our state, as well as the Regulatory Commission of Alaska (RCA), on how to address this issue. We encourage you to consider them in a timely manner.
- **Carriers of Last Resort:** We request you work with the RCA on issues relating to carriers of last resort in Alaska. We believe state commissions are in the best position to make accurate and timely local determinations regarding the overlap of service areas and abilities of providers to serve areas without continued support.


- **Tribal Clarifications:** We applaud the inclusion of tribal consultations in FCC rulemaking. However, we request you work with the tribal groups, carriers and the State of Alaska to clarify the tribal consultation requirements included in the reform order. Alaska is home to more than 200 federally recognized tribes, only one of which is on a reservation similar to the system in place in the Lower 48. This means service often crosses multiple Native villages, tribal regions, and Native corporation lands. By working with Alaska stakeholders to clarify which tribal organizations qualify for consultation, we hope harmony between tribes and providers will continue to bring telecom services to our State's Native communities.

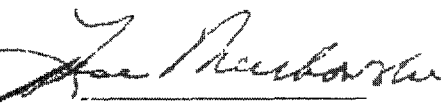
Your quick action is critical. Because of Alaska's short summer construction season, these issues must be addressed by March 7, 2012, so that providers serving the remote areas of Alaska can finalize and execute summer construction plans in a timely manner. Providers need time not only to order equipment, but to transport that equipment to remote locations. Neither can occur until we know with certainty that the full support amount will be available for additional deployment to remote Alaska Native villages. At best, this means denying rural Alaska comparable services for at least another year, or at worst, far longer, depending on how the Commission implements the transition to replacement funding mechanisms. Any delay in deciding the Petitions for Reconsideration could result in the loss of the entire four-month construction season. In this case, a decision delayed truly is a decision denied. This would be unfair to our rural constituents, many of whom still have no wireless service today.

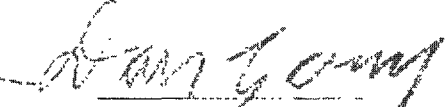
As you move forward, we highly encourage you to consider these Petitions for Reconsideration and related comments concerning the future of telecom service in rural America, particularly Alaska. We hope and expect that your timely action will prevent the disruption of the forward momentum of building a nationwide telecommunications network.

We look forward to continuing to work with you and welcome the opportunity to meet for further discussions about the unique telecommunications challenges facing Alaska. A timely response is much appreciated. Your staff may contact Andrea Sanders in Senator Begich's office at 202-224-3004, Jeremy Price in Senator Murkowski's office at 202-224-6665, and Jason Suslavich in Congressman Young's office at 202-225-5765 for further details.

Sincerely,


Senator Mark Begich


Senator Lisa Murkowski


Congressman Don Young

CC: Commissioner Clyburn
Commissioner McDowell

REDACTED - FOR PUBLIC INSPECTION
United States Senate
WASHINGTON DC 20510

April 20, 2012

Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street SW
Washington, D.C. 20554

Dear Chairman Genachowski:

The Alaska Congressional Delegation is writing in regard to the petition for waiver filed by Windy City Cellular on April 3. Our concern in this matter pertains to the impact on the people of Adak and the Bering Sea fishing fleet. Windy City Cellular has been providing a valuable telecommunications service to the community of Adak and the fishing fleet. We are concerned that if the company is unable to continue its operation, the impact on the residents and the fishing fleet will be detrimental.

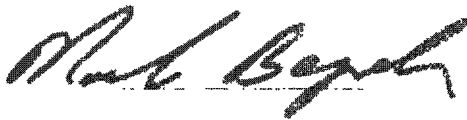
Adak is at the far end of the Aleutian Chain. It is 1,197 miles from Anchorage. In comparison, that is the distance from the FCC's Washington DC office to its Resident Agent Office in Houston, Texas. Adak is arguably the most remote community in the United States. Therefore, as you can imagine, Adak's dependence on telecommunications is enormous. The risk of losing wireless telecommunications services presents a crisis and jeopardizes an integral part of an industry that supplies the United States with fifty percent of its seafood.

As we understand it, Windy City Cellular has indicated that it has the financial resources, after the reduction in its Universal Service Fund revenues, to continue operating for only a couple of weeks. Since Windy City's waiver was noticed on April 9, a 45-day comment period has begun to be followed by an additional 45 days allowed under commission rules for a response. We will be monitoring this timeframe very closely.

Given the serious implications that Windy City Cellular faces, we urge you to act as quickly as possible in rendering a decision on this petition. In the case that Windy City Cellular ceases operation, the negative impact on the people of Adak and the fishing fleet in the Bering Sea will be most severe.

We look forward to continuing to work with you and your staff. Please contact Andrea Sanders in Senator Begich's office at 202-224-3004, Jeremy Price in Senator Murkowski's office at 202-224-6665, and Jason Suslavich in Congressman Young's office at 202-225-5765 for further details. Thank you in advance for your prompt response.

Sincerely,



Senator Mark Begich



Senator Lisa Murkowski



Congressman Dan Young

CC: Commissioner Clyburn

Commissioner McDowell

Adak Community Development Corporation

April 20, 2012

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Room TW-A325
Washington, DC 20554

Re: USF/ICC Transformation Order – Impact on the community of Adak AK

Dear Ms. Dortch,

The Adak Community Development Corporation (“ACDC”) is a non-profit corporation dedicated to the development of seafood harvesting and processing infrastructure for the community of Adak. Adak Island is the most westerly community in the state of Alaska. Our remote location makes it extremely challenging to foster economic development or to survive as a community.

One of the key infrastructure elements necessary for a viable seafood industry is internet and telecommunication access to the outside world.

Adak Eagle Enterprises LLC (“AEE”) now provides Adak Island the modern communications services it needs in order to survive and thrive. Through its affiliate, Windy City Cellular LLC (“WCC”), mobile wireless service is available throughout the island. These services have been made possible through support from the Universal Service Fund (“USF”), and in the case of AEE, a loan from the United States Department of Agriculture Rural Utilities Service (“RUS”).

The fishing industry relies on the telecommunications services provided by AEE and WCC. At the most basic level in the seafood business, because of the federal government’s mandatory requirements for electronic reporting, the local fish processing plant can’t even legally operate without internet access.

ACDC has learned that the Federal Communications Commission (“FCC”) adopted an Order to reform the USF rules which went into effect for all wireless carriers in January

2012 and will go into effect for all Wireline carriers in July 2012. As a result of the changes in funding levels prescribed by this Order, ACDC has been informed by AEE and WCC that each company will have to stop all new projects and that it is likely that WCC will be out of business within six months and AEE will cease operations within two years unless each is granted a waiver by the FCC.

Universal access to telecommunications and the internet is a longstanding principle that is critical to integrating small remote communities like ours into the modern economy. The FCC should not abandon this principle of support for equal access through the USF.

Federal USF support has been essential to AEE's ability to provide telecommunications services and access the capital required to install modern telecommunications infrastructure in Adak. This support is critical to provide affordable, modern telecommunications services to the community.

The reforms announced by the FCC in the USF/ICC Transformation Order will drastically reduce the amount of support the Companies will receive. Due to the extremely high costs of providing services in Adak, the effect of the FCC's new rules will be felt more strongly in our community than any other place in the nation.

Unless the local providers are able to obtain waivers of the new rules or the relevant portions of the USF/ICC Transformation Order are reversed on appeal, we fear the local service providers will not be able to continue to provide service on Adak. We expect that the local service providers would collectively be driven into bankruptcy within 12 months, impacting the Rural Utilities Service ("RUS") fund by forcing default on loans extended to AEE.

Without a waiver, the consequences of the FCC Order on AEE and WCC will be felt throughout the economy of the entire Adak community. The overall safety, growth and economic development of this remote island will be jeopardized.

Adak is a struggling, rural community that needs substantial help to grow in order to off-set the high cost of operating in such a remote area with extreme weather conditions. We respectfully urge the FCC to please take into consideration the unique factors involved in servicing an area like Adak and to grant the requested waivers to AEE and WCC. These waivers will allow the Adak community to continue to have access to the reliable telecommunications services that are necessary for it to grow and be safe.

We support our local service providers in their efforts to obtain waivers of the new rules. If AEE is forced into bankruptcy there is no assurance another firm will move into Adak to provide service. When the Adak assets were previously made available to firms like

General Communications, Inc. and AT&T Alascom, these carriers declined to take over service in Adak.

Thank you for your consideration of our comments.

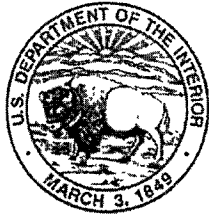
Sincerely,

A handwritten signature in black ink, appearing to read "Rick Koso", with a stylized, flowing script.

Rick Koso
Vice President
Adak Community Development Corporation
P.O. Box 1943
Adak AK, 99546

Cc:

Senator Lisa Murkowski
Senator Mark Begich
Congressman Don Young



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United States Department of the Interior

FISH AND WILDLIFE SERVICE
Alaska Maritime National Wildlife Refuge
95 Sterling Highway, Suite 1
Homer, Alaska 99603



Marlene H Dortch
Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Room TW-A325
Washington, D.C. 20554

Dear Ms. Dortch,

I am writing to you concerning recent changes to the Universal Services Fund rules and how it might affect our operations out of remote Adak, Alaska.

The Alaska Maritime National Wildlife Refuge includes 2500 islands and headlands along much of Alaska's coast, including the Aleutian Islands. Encompassing 3.5 million acres, the refuge is home to 40 million nesting seabirds and much other wildlife. The headquarters for the refuge is in Homer, Alaska, but we maintain a critical forward operating base in Adak including multiple buildings, housing, supplies, communications equipment, and one year-round staff member plus many employees intermittently working out of Adak. As part of refuge operations, we operate a 120 foot research vessel from May – September and we also operate multiple remote field biology sites, monitoring and studying seabirds and other wildlife. Adak serves as our hub for all work in the Aleutians involving hundreds of researchers, technicians and crew. Our lone employee stationed continuously at Adak serves as our safety coordinator for field operations across the refuge, along with performing many other functions. All of our remote field camps perform mandatory safety checks through our Adak office. Field camps receive weather forecasts, tsunami warnings, and volcano warnings through Adak. Field camps file float plans to Adak for all small boat operations, including reports of their safe return following the boating operation.

Having telephone service, cell phone service, and internet service available on Adak is of extreme value to the refuge. The communications allowed by these technologies allow our ship and field camps to operate safely and effectively in this remote area, plus allow coordination with staff in our Homer office.

Thank you for all you have done and continue to do to make our communication center at Adak successful.

Sincerely,

Steve Delehanty
Refuge Manager

SEWARD FISHERIES

division of
ICICLE SEAFOODS, INC.
P.O. BOX 8
SEWARD, ALASKA 99664
(907) 224-3381
Fax (907) 224-3285



ICICLE.

April 25, 2012

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, WA
Room TW-A325
Washington, DC 20554

RE: Impact of Recent Universal Service Support in Adak, Alaska

Dear Ms. Dortch:

Icicle Seafoods, Inc. is aware that your agency recently adopted rules that alter federal support for carriers that provide telecommunications services in rural, high-cost areas such as Adak. Our company relies on the telecommunications services provided by Adak Eagle Enterprises LLC as well as the Windy City Cellular LLC and will be severely and adversely impacted without those services.

We are all too aware of the extreme high costs associated with doing business in Adak and believe that Federal USF support is essential to the telecommunications infrastructure in Adak. In the past 3-5 years the fishing regulatory agencies have instituted and require electronic reporting regulations, we communicate through e-mail with our fishing vessels, have an inter-plant cellular system, etc. In this day and age, it would be impossible to conduct business without a viable communication system.

We support the Adak local service providers in their effort to obtain waivers of the new rule and appreciate your consideration. If you have any questions or require further information, please do not hesitate to contact me.

Sincerely,

ICICLE SEAFOODS, INC.

Melody Jordan
Adak Plant Manager
(907) 592-3474 – Adak Plant
(907) 362-1141 – Cell Phone

HOME OFFICE

4019 21ST Avenue West • Seattle, WA 98199
P.O. Box 79003 • Seattle, WA 98119 • Tel: 206-282-0988 • Fax: 206-282-7222



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3380 C Street, Ste. 100, Anchorage, Alaska 99503
(907) 277-1440 * Fax (907) 277-1446
eatribes.Org

April 26, 2012

Marlene H Dortch, secretary
Federal Communications Commission
Office of the secretary
445 12th St. SW.
Room TW a 3 to 5
Washington, DC 20554

Eastern Aleutian Tribes is a nonprofit tribal health organization servicing all the tribal members and non-tribal members of the Adak community. Our service area is one of the largest of any health organization in the nation encompassing the entire Alaska Peninsula and Aleutian Islands extending from Anchorage all the way to the Eastern Hemisphere, more than 1900 miles of area.

One of the specific communities which we serve is the island of Adak. This island used to have a US military presence since 1942 during World War II. At its peak it had a population over 6000 people. As Adak Naval Air Station it continued to be a military base during the Cold War but was realigned during the base realignment and closures in 1995 and was completely closed in March 1997. Seven years later in 2004 the Aleut Corporation purchased Adak Island's land facilities and other land infrastructure improvements from the Department of the Interior and the U.S. Navy Department of Defense

In 2003 recognizing the critical need for telecommunications in the region, Adak Eagle Enterprises LLC stepped up and began providing modern communication services needed for this small community. Through its affiliate Windy City cellular, they also provide wireless mobile telephone service to the community. All these telecommunication services have been made possible through support from the Universal service fund and a loan from United States department of agricultural rural utility services (RUS).

We have become aware that the Federal Communications Commission has adopted an order to reform the USF rules which went into effect for all wireless carriers in January 2012 and will go into effect for all wireline carriers in July 2012. As a result of these changes in the funding levels program proposed by this order it will be impossible for Adak Eagle Enterprises and Windy City cellular to continue providing

"Eastern Aleutian Tribes has the healthiest people in the Nation"
Adak * Akutan * Cold Bay * King Cove * Nelson Lagoon * Sand Point * Whittier

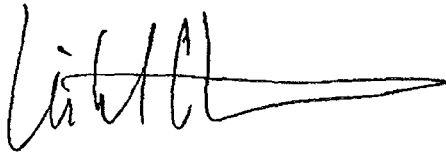
service and they will be without other support funding and will likely go out of business within 5 to 6 months following these changes.

We believe that a waiver is critical so that the consequences of the FCC order will not be felt in Adak. Should Adak Eagle Enterprises and Windy City cellular be unable to continue provision of telephone and cellular telephone service in the island of Adak critical government entities including the Fish and Wildlife Service, the Marine exchange, United States Albuquerque seismological laboratory, the Alaska Volcano Observatory, and other government agencies will be forced to close.

Eastern Aleutian tribes would have an immediate impact should this occur. It would be impossible for us to continue to provide the quality healthcare service which we currently allow in the community without critical telephone and cellular infrastructure support. Because of the great distance between Adak Island and Anchorage Alaska where the primary hospital our patients are seen in, we utilize extensively TeleVideo and telephonic communication tools. Without these tools, critical communication between physicians, the hospital, and our clinic would be severed we would be forced to go to a much more expensive satellite telecommunication process which would raise costs to the point of creating such a disparity that we would be forced to close the clinic.

We urgently and respectfully request the FCC to take into consideration the unique and critical factors involved in servicing an area like Adak with telecommunication services. We support the FCC granting the requested waivers to Adak Eagle Enterprises and Windy City cellular in order that they can continue to provide for our clinic and the community of Adak critical telephone and cellular telephone support.

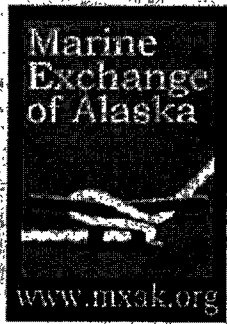
Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Christiansen', with a long horizontal line extending to the right.

Michael Christiansen

CEO, executive director

Eastern Aleutian tribes



Safe, Secure, Efficient and Environmentally Responsible Maritime Operations

1000 Harbor Way, Suite 204, Juneau, Alaska 99801

Ph: (907) 463-2607 Fax: (800) 682-2898

March 28, 2012

Mr. Larry Mayes
President/ CEO
Adak Eagle Enterprises

Ms. Andilea Weaver
Vice President/ COO

Dear Mr. Mayes and Ms. Weaver,

I'm writing to offer my support for Adak Eagle Enterprises LLC dba Adak Telephone Utility ("AEE") and Windy City Cellular LLC in obtaining a reversal of the Federal Communications Commission's "*USF/ICC Transformation Order*" that if implemented will have a serious negative impact on the community of Adak as well as on maritime safety.

The Marine Exchange of Alaska is a non-profit maritime organization that has developed a comprehensive vessel tracking network throughout Alaska to aid safe, secure, efficient and environmentally sound maritime operations. One of our most important vessel tracking AIS (Automatic Identification System) receiving sites in Alaska is located in Adak on the White Alice location. This tracking system is relied on by the Coast Guard, State of Alaska and the maritime community to aid maritime safety and emergency response. The operation of this vessel tracking that tracks vessels up to 100+ miles offshore is very dependent on the power and internet connectivity that AEE and Windy City provide. If the FCC Transformation Order is not reversed for Adak, the future of this vessel tracking system is in jeopardy as is the future of the community itself which certainly is not in the best interests of our country.

Sincerely,

A handwritten signature in black ink, appearing to be "E. Page".

Captain Edward E. Page, U.S. Coast Guard (Retired)
Executive Director
Marine Exchange of Alaska



March 28, 2012

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Room TW-A325
Washington, DC 20554

The Aleut Corporation ("TAC") is a for-profit corporation with approximately 3,410 Alaska Native shareholders primarily of Aleut descent originating in the Alaska Peninsula, Aleutian Islands, Pribilof Islands, and Shumagin Islands of Alaska. TAC is one of Alaska Native Regional Corporations created under the Alaska Native Claims Settlement Act of 1971 ("ANCSA") in settlement of aboriginal land claims. It was incorporated on June 21, 1972 and is headquartered in Anchorage, Alaska.

The island of Adak has had a US military presence since 1942 and, at its peak, had a population of over 6,000 people. Adak Naval Air Station continued to be a military base during the Cold War, but was designated a Base Realignment and Closure ("BRAC") site in 1995 and closed in March 1997. In March 2004, TAC purchased Adak's land and facilities under a land transfer agreement with the Department of the Interior and the U.S. Navy/Department of Defense. TAC also owns a number of subsidiary companies that operate on Adak Island, including a fuel farm with over 20 million gallons of storage, commercial and residential properties, and the Adak Inn (Hotel).

In 2003, TAC asked three mid-size and larger telecommunication organizations to provide service on Adak, but all three organizations declined. Adak Eagle Enterprises LLC ("AEE") now provides Adak Island the modern communications services it needs in order to survive and thrive. Through its affiliate, Windy City Cellular LLC ("WCC"), mobile wireless service is available throughout the island. These services have been made possible through support from the Universal Service Fund ("USF"), and in the case of AEE, a loan from the United States Department of Agriculture Rural Utilities Service ("RUS"). All of TAC's companies rely on the telecommunications services provided by AEE and WCC.

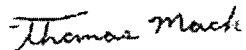
TAC is aware that the Federal Communications Commission ("FCC") adopted an Order to reform the USF rules which went into effect for all wireless carriers in January 2012 and will go into effect for all Wireline carriers in July 2012. As a result of the changes in funding levels prescribed by this Order, TAC has been informed by AEE and WCC that each company will have to stop all new projects and that it is likely that WCC will be out of business within six months and AEE will cease operations within two years unless each is granted a waiver by the FCC.

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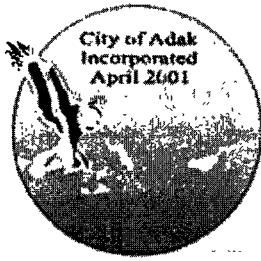
Without a waiver, the consequences of the FCC Order on AEE and WCC will be felt by nearly the entire island of Adak, including TAC and its subsidiaries, and critical government entities including the U.S. Fish and Wildlife Service, The City of Adak, the Marine Exchange (which is responsible for monitoring fishing vessels in the Bering Sea and the Pacific Ocean), the USGS Albuquerque Seismological Laboratory, and the Alaska Volcano Observatory, as well as government contractors, tourists, hunters, and fishermen. The overall safety, growth and economic development of this remote island will be jeopardized.

Adak is a very young, rural community that needs substantial help to grow in order to off-set the high cost of operating in such a remote area with extreme weather conditions. We respectfully urge the FCC to please take into consideration the unique factors involved in servicing an area like Adak and to grant the requested waivers to AEE and WCC. These waivers will allow the Adak community to continue to have access to the reliable telecommunications services that are necessary for it to grow and be safe.

Sincerely,

A handwritten signature in cursive script that reads "Thomas Mack".

Thomas Mack, President
Aleut Corporation



City of Adak

P.O. Box 2011 • Adak, Alaska 99546
(907) 592-4500 • Fax: (907) 592-4262

March 27, 2012

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Room TW-A325
Washington, DC 20554

RE: Impact of Recent Universal Service Support in Adak, Alaska

Dear Ms. Dortch:

As the local government for the island and community of Adak, Alaska, on behalf of the City I have begun to educate myself on the changes of Universal Service Support that our community currently receives through our primary telecommunications provider, Adak Eagle Enterprises ("AEE"). As you may be familiar AEE and its affiliate Windy City Cellular ("WCC") provide local exchange, broadband and Internet services in Adak. We are concerned of the impact that recent regulatory changes by the Federal Communications Commission ("FCC") will have on the provision of telecommunications services in our community.

The City is aware that in the FCC's recent *Report and Order* issued November 18, 2011,¹ (referred to as the "*USF/ICC Transformation Order*"), your agency adopted rules that profoundly alter federal Universal Service Fund ("USF") support for carriers that provide telecommunications services in rural, high-cost areas of the country. As you are aware, Adak is one of the most remote, isolated, and climatically inhospitable communities in the United States. The cost of providing modern telecommunications here is commensurately high. Federal USF support has been essential to AEE's ability to provide telecommunications services and access the capital required to install modern telecommunications infrastructure in Adak. This support is critical to provide affordable, modern telecommunications services to the community. The reforms announced by the FCC in the *USF/ICC Transformation Order* will drastically reduce the amount of support the Companies will receive. Due to the extremely high costs of providing services in Adak, the effect of the FCC's new rules will be felt more strongly in the community than any other place in the nation. Unless the Companies are able to obtain waivers of the new rules or the relevant portions of the *USF/ICC Transformation Order* are reversed on appeal, we fear the Companies will not be able to continue to provide service on Adak. We expect that the Companies would collectively be driven into bankruptcy within 12 months, impacting the Rural Utilities Service ("RUS") fund by forcing default on loans extended to AEE. Furthermore, at least six (6) people on Adak Island, comprising of highly skilled individuals, will be terminated which will result in a significant hit to the local economy. This community can ill afford

¹ *In the Matter of Connect America Fund*, WC Docket No. 10-90, et al., Report and Order FCC 11-161, adopted on October 27, 2011 and released on November 18, 2011.

another setback to community development and sustainability. The City and community members have fought over and over for the last five years to fix long standing issues that prevented the growth of the economy of Adak. Over the last 12 months, the City and other entities have worked together more than ever to seek opportunities to develop commerce and community sustainability yet has received more and more pressure from the federal government to overcome obstacles that seem akin to torture. Not only has the FCC, in this order, made severe changes without recognizing the needs of rural Alaska communities, Adak has faced new obstacles and challenges from the National Marine Fisheries Service, seeking to close important fisheries around Adak Island. The United States Department of Transportation is at this time also seeking to impose severe limitations to transportation services by pressuring Alaska Airlines to succumb to a lower performing airline in order to obtain what is an obscure vision of "lower cost".

Adak was originally a Naval Air Facility that closed during the Base Realignment and Closure process in 1997 and was turned over as property to the Aleut Corporation, the area's regional native corporation to develop the island and turn Adak into a community. At the time of transfer the island's basic infrastructure including but not limited the water, sewer, electrical and telecommunications systems were determined to be deficient and in severe need for upgrading. Of all these items, only the telecommunications systems have been upgraded, wholly due to AEE's ability to secure USF funding and RUS loans.

AEE was able to secure approximately \$6.2 million in loans from the United States Department of Agriculture, Rural Utility Service to fund the costs necessary for the provision of adequate and reliable local exchange service, including the establishment of a fiber optic distribution system. AEE, in obtaining these loans, properly considered anticipated USF support revenues. In good measure, RUS conditioned approval of the loans on AEE obtaining waivers to allow it to receive USF funding immediately, rather than with a two-year lag under existing historical cost rules. Therefore, not only were USF revenues considered in planning the needed replacement of facilities on Adak, the government lenders **required** AEE be able to immediately receive USF support as a condition of providing financing for the necessary replacement of Adak's inadequate telecommunications system. When AEE received the funding in June 2006, the company was able to construct and complete installation by November 2006, an extremely rare feat, especially in rural Alaska. This upgraded system allows for provisioning of advanced services such as 911, E-911 capability, caller ID, call waiting, call forwarding and other advanced services, including Broadband and Internet capacity.

In 2008, WCC began providing cellular telecommunications in Adak after obtaining FCC approval to complete construction and provide service. USF funding was relied upon on to construct and maintain the Downtown cellular tower, a key component of the cellular system. Last summer, WCC constructed a second cellular tower in a location that better expanded service and allowed for the start of triangulation, a key component in being able to expand public safety services in and around Adak Island. To date over \$2 million has been invested in this system without obtaining additional financing, a formidable feat to maintain a balanced leverage ratio. It is important to note that prior to WCC, no cellular service was provided on Adak and though there is another cellular provider on Adak, their service is extremely limited and is not controlled from Adak, rather Dutch Harbor, almost 400 miles away. Furthermore, it should be noted in constructing the second tower at White Alice, WCC employed 10 local people to construct the site and bring it online while also completing the installation in one construction season.

With the recent arrival of Icicle Seafoods in the community, as well as recognizing other opportunities that have begun to materialize on Adak Island, the City has acknowledged that its 911 system needs to be severally improved. The City currently relies on the AEE network to provide switching and routing capabilities to Public Safety staff in order to provide emergency services. The City has reached a point where the existing 911 system has been fully maximized and is not capable of further expansion. To the extent practical, we have sought to integrate WCC's cellular network in order to provide for E-911 services, however the City lacks the institutional knowledge of newer 911 systems.

The staff of the Companies provides above average community service to Adak. It should be noted that their dedication to the community is unparalleled in terms of personal hours and resources dedicated to those less fortunate. The Companies have helped the new City administration, to the extent practical and possible, to become efficient while integrating best telecommunications practices. In 2011, their staff consulted and assisted the City in developing a new corporate network that has allowed the City to internalize server storage, electronic mail as well as provide for secure, automatic, off-site backup in order to ensure continuity of government. They have also begun assisting the City in obtaining proper E-911 equipment in order to provide the best emergency service possible. This service is essential, especially as we are inside of an extremely active volcanic, earthquake and severe weather zone. Due to the severity, there are times the City cannot monitor certain areas of town or its facilities. We have sought to utilize the WCC network to start utilizing remote monitoring, yet efforts to stymie the operations of the Companies threatens to undermine the City's ability to efficiently deploy staff and resources.

Moreover, the City is concerned about the impact of taxpayers in and outside of Adak. While the idea of reduced government subsidies is in everyone's best interest over the long-term, the success of investments should be given a chance to be realized. Given RUS determined that the necessity of USF funding for construction of the AEE telecommunications network, one would assume that elements of the same Federal government would understand the impacts to each other before subjecting those affected to severe situations which would result in ultimate losses to the Federal government. It is reasonable to expect that RUS will not forgive the loans and the FCC will continue to mandate capital expenditures in operating telecommunications networks, yet expects firms to find areas to cut expenditures, expecting firms like the Companies to have overabundance when there is none.

AEE's business plans and financing arrangements were premised on adequate USF support based on AEE's costs. Currently, AEE receives monthly high-cost support of approximately \$1,400.00 per line. The *USF/ICC Transformation Order* adopted regulations providing for a per-line monthly cap of \$250 per line, to be implemented beginning on July 1, 2012 and phased in over a two-year period.

For WCC, the impact is even more dramatic. As a competitive wireless carrier, WCC received support under the so-call identical support rule, which provides support based on the incumbent carrier's (in this case AEE's) costs. The *USF/ICC Transformation Order* eliminates the identical support rule, to be implemented beginning (for Alaska) in two years and phased out over the five year period following. Of more immediate concern, however, is that competitive wireless carriers are subject to capped annual support of \$3,000 annually per-line (equating to \$250 per month), but with no delayed effective date and no phase-in period. Apparently, Adak is the only community in the United States affected by this rule. As a result, it has come to our attention that WCC's disbursements

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for January 2012, the first month after the effective date of the *USF/ICC Transformation Order*, were only **16 percent** of the expected disbursements.

As the Companies have very significant fixed costs associated with the need for extensive investment to provide modern telecommunications to Adak, no amount of cost cutting can bring costs in line with the drastic revenue reduction from the FCC's reforms. Nor can our citizens, AEE's clients, be expected to pay the extreme rates that would be required to make up the shortfall. The City would be unable to afford the service at the extreme rates necessary under the FCC's reforms. If the FCC's reforms set forth in the *USF/ICC Transformation Order* are applied as written, as mentioned previously, the Companies could be driven to bankruptcy within 12 months.

In addition, the City is quite concerned that the order is being processed ambiguously and in selective pieces. Most concerning is that at this point there seems to be no component in funding broadband services until at least 2015. If the Companies cannot survive that long, the mission of this order will be lost on the community of not only Adak, but other communities in Alaska.

In reviewing the Regulatory Commission of Alaska's comments to the FCC, there was mention of the allowance of satellite technology for backup or backhaul capability. As the Regulatory Commission mentioned, **most** communities in Alaska, including Adak, are only able to utilize satellite technology for telecommunications outside the communities. In fact AEE has attempted to develop a regional fiber optic network that would allow for primary traffic that Adak and other communities could use to connect to other fiber networks. As recently as two years ago a proposal was made and subsequently rejected with no consideration of a partial system. If companies like AEE cannot be allowed to develop these primary alternatives, then the communities are forced to utilize satellite providers, who increasingly are raising rates and moving satellites to areas they decide will generate more profit.

In closing, we support our local Companies in their efforts to obtain waivers of the new rules. If AEE is forced into bankruptcy there is absolutely no guarantee another firm will move into Adak and provide service. When the Adak assets were previously made available to firms like General Communications, Inc. and AT&T Alascom, these carriers declined to take over service in Adak. The City is aware that this same situation is currently occurring on Shemya Island with the potential departure of AT&T Alascom. Consequently, the City is in no position to intervene and operate a telecommunications company and does not have the desire to do so. In either case, the failure of AEE or WCC would result in greater losses to taxpayers than by granting the waivers sought by the Companies.

We appreciate your consideration of our comments and thank you for your time. If you have any questions regarding our comments please feel free to contact me at (907) 592-4500.

Sincerely,



Layton J. Lockett
City Manager
City of Adak, Alaska